

COMMONWEALTH OF KENTUCKY  
OFFICE OF FINANCIAL INSTITUTIONS  
Complaint No. 04-AH-024

The Office Of Financial Institutions Of The  
Commonwealth Of Kentucky

PETITIONER

vs.

Tax Lien Agents, Inc.  
4502 Highway 17 Bypass South  
Myrtle Beach , South Carolina 29588

Serve: Ned B. Majors, Agent for Service of  
Process  
4502 Highway 17 Bypass South  
Myrtle Beach , South Carolina 29588

and

Ned B. Majors, Personally  
4502 Highway 17 Bypass South  
Myrtle Beach , South Carolina 29588

RESPONDENTS

Agreed Order

Upon agreement of the Petitioner and Respondents, the Deputy Executive Director being duly and sufficiently advised and approving, finds and orders as follows:

1. Pursuant to KRS 292.500(1) and 292.500(3), the Commissioner ("Commissioner") of the Department ("Department") of Financial Institutions, and the Deputy Commissioner ("Deputy") of the Department, in his or her absence, is charged with the administration and enforcement of KRS Chapter 292, the Securities Act of Kentucky, ("Act").

2. Pursuant to the authority of Executive Order 2004-031, entered January 6, 2004, by Governor, Ernie Fletcher, subsequently renewed by Executive Order 2004-731,

entered July 9, 2004, and KRS 12,027 et seq., the powers and responsibilities of the Department to carry out and enforce the Act are now vested in the Office of Financial Institutions of the Commonwealth of Kentucky ("Office") and the powers and responsibilities of the Commissioner and the Deputy are now vested in the Executive Director and Deputy Executive Director of the Office.

3. During portions of the investigation of this matter, said power and responsibility has been in the hands of the Commissioner and/or the Deputy as well as the Executive Director and/or Deputy Executive Director.

4. The Executive Director and Deputy Executive Director have affirmed all the acts of the Commissioner and/or the Deputy in this matter as applicable. Consequently, the Executive Director or Deputy Executive Director may act in the place of the Commissioner and Deputy in this action, and does, and this action is now brought by the Office of Financial Institutions rather than the Department of Financial Institutions.

#### Factual Background and Circumstances

5. Respondent, Ned B. Majors ("Majors") has been in the business of purchasing tax liens since as early as 1991. Mr. Majors last known address is 4502 Highway 17 Bypass South; Myrtle Beach, South Carolina 29588. He held a seminar promoting his tax lien program in Frankfort, Kentucky in December of 2001.

6. Majors' most recent company is Tax Lien Agents, Inc. ("TLA"). TLA is a corporation with its principal place of business in Myrtle Beach, South Carolina.

7. On September 25, 2003, the Division of Securities sent Majors a letter requesting certain documents regarding the activities of TLA. On October 17, 2003, the request was refused in a letter from Majors' attorney stating that TLA did not have to comply with the request because TLA does not sell securities. She maintained that TLA is a contracted agent who is hired by employers to purchase tax lien certificates. She enclosed two pages of procedures for hiring TLA.

8. On October 22, 2003, the Division issued a subpoena to TLA. In response to that, TLA sent another letter with some enclosures from Majors in his attempt to convince the staff of the Division that he is not selling securities.

9. The Division is aware of eighteen Kentucky clients who have entered into contracts with TLA.

10. TLA is in the business of acting as an agent in the purchase of tax liens. Tax liens in and of themselves are not securities and it is not the Division's intent to suggest otherwise. The method that TLA has developed and promoted to purchase liens for others and to share in profits may create a security under an investment contract analysis or alternatively, a profit-sharing agreement. The Division is aware of one occasion when Mr. Majors placed clients' monies into his attorney escrow account and purchased tax liens in DuPage County, Illinois from and for that account. Anytime client funds are commingled in such a manner, the Division will proceed on the assumption that a security has been created with the account itself becoming the issuer of said security.

11. However, tax lien certificates purchased at the DuPage County sale were issued to individual investors and any unused portions of the clients' checks were repaid. Thus the certificates were not maintained in a commingled state.

#### THE TLA PRODUCT

12. Mr. Majors is the sole owner and registered agent of TLA. As Majors describes the program in his video of December 2001, investors hire TLA to purchase tax liens ("liens") on the investors' behalf. TLA charges an up-front fee (ranging from 12 to 25% of the investment) for this service. If the investor's liens are redeemed by the homeowner, TLA will purchase additional liens for that investor without charging the investor any additional fees. Because it generally takes 1-3 years for a lien to go to deed, the up-front fee is good for 3 years of service. If the lien is not redeemed by the homeowner but instead goes to deed, TLA will recommend an attorney to do the title work so that the investor gets the deed. TLA will also recommend a real estate agent to sell the property. Once the property is sold, TLA receives a performance bonus commission representing a percentage of the gross selling price. TLA promotes this investment as a "no real down-side risk" situation saying that if the lien is redeemed, the investor is guaranteed a return of his investment plus 8-25% interest and if the lien goes to deed, the investor is going to have free and clear title to a piece of real property for a tiny fraction of the value of that property.

13. Majors sold this service to a Kentucky resident<sup>1</sup> on March 12, 2002. That Kentucky resident signed a contract with TLA investing \$30,000.00 on March 12, 2002.

14. Majors offered or sold these services to at least eighteen Kentucky residents<sup>2</sup> within the last several years.

15. Respondents have indicated that they are willing to enter into a settlement to ensure compliance with the Kentucky Securities Act (Chapter 292 of the Kentucky Revised Statutes).

16. The Division is willing to accept a settlement under certain terms if Majors is willing to bring himself and any entities he controls into compliance with the Act and if he is willing to remain in compliance in the future. Majors has expressed a willingness to do so.

17. In light of the willingness on the part of Majors to ensure future compliance, it is not in the public interest to bring a formal action against him. Provided that Mr. Majors conducts his activities with respect to representation of others in the purchase of tax lien certificates according to the agreements herein, the Office agrees to take no enforcement action against him.

Accordingly, **IT IS AGREED** as follows:

1. Respondent, Ned Majors, is the sole shareholder of Tax Lien Agents, Inc. ("TLA") and has been said entity's President and CEO at all times concerning the matters covered by this statement.
2. Majors agrees to conduct his (and that of any entity controlled by him) tax lien certificate activities for clients in substantially the form represented in Schedule A of this Agreement.
3. Majors swears or affirms and represents that neither he personally nor TLA has pooled or commingled tax lien clients' funds in any manner since the closing of his

attorney IOLTA account into which the tax lien clients' funds were deposited for the tax lien sale in DuPage County, Illinois. Majors knows and understands that the Division of Securities relies upon this representation by him in deciding to craft a settlement of this matter with all the Respondents herein.

4. Each tax lien client pays, and shall continue to pay, a non-refundable fee for TLA's services in acting as the client's agent for the purchase of tax liens. Said client writes, and shall continue to write, his or her investment check payable to the government entity selling the Tax Lien Certificate and said Tax Lien Certificate is, and shall continue to be at all times in the future, purchased directly for that client and recorded in his or her name in the property records of the governmental entity selling the lien.

5. Respondent, Majors, understands that to pool or commingle client funds in any manner in any bank, brokerage or other type of account shall create the presumption that a "security" was created for purposes of the application of the Act. In the course of any business Majors does in the future, Majors represents that he does not wish, intend, or plan to pool or commingle Kentucky client funds in any manner in any bank, brokerage or other type of account; that he makes this representation with the express knowledge that securities regulators in the Commonwealth of Kentucky will rely upon this stated wish, intent, and future plan in resolving any disputes they have with him and/or business entities he has formed or may form in the future.

6. Respondent, Majors, in the future, SHALL NOT pool or commingle client funds in any manner in any bank, brokerage or other type of account. Respondent, Majors, agrees that if he should do so, a "security" SHALL HAVE BEEN created for purposes of the application of the Act.

AGREED TO this the 11 day of March, 2005.

by Tax Lien Agents, Inc. 3/11/05 Ned B. Majors 3/11/05  
Tax Lien Agents, Inc. Date Ned Majors Date

By Ned Majors, President 3/11/05  
Ned Majors Date

### ACKNOWLEDGEMENT

County of: Horry

State of SOUTH CAROLINA

On this 11 day of March, 2005, Ned Majors personally appeared before me and acknowledged to me that he is authorized to execute this Undertaking on behalf of Tax Lien Agents, Inc., and Ned Majors and that he freely signed this Undertaking on behalf of the entities and on behalf of himself in his personal capacity.

[Signature]  
Notary Public

My Commission Expires: 12/16/2006

### HAVE SEEN AND AGREED TO:

[Signature] March 11, 2005  
Attorney for Respondents Date

Accordingly, in connection with the Respondents, **IT IS ORDERED** that:

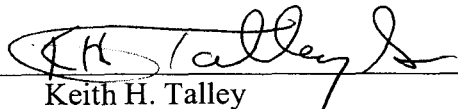
1. Respondents shall not violate the Securities Act of Kentucky in the future. In addition, Respondent shall not violate the regulations promulgated under the Securities Act of Kentucky or Orders of the Executive Director, or Commissioner, as applicable.

2. Respondents, if they or any one or several of them, offer or sell securities at any time in the future, which would require a Private Placement Memorandum, shall provide to the Office on a one time basis

3. Respondent, Majors, and Respondent, Tax Lien Agents, Inc., and any other similar type tax lien business entities formed or owned in full or in part, or controlled by Respondent, Majors, SHALL NOT pool or commingle client funds in any manner in any bank, brokerage or other type of account. In the operation of such a business by Respondent, Majors, or in connection with him, each tax lien client shall pay, and shall continue to pay, a non-refundable fee for TLA's services in acting as the client's agent for the purchase of tax liens. Said client shall write, and shall continue to write, his or her investment check payable to the government entity selling the Tax Lien Certificate and said Tax Lien Certificate shall continue to be at all times in the future, purchased directly for that client and recorded in his or her name in the property records of the governmental entity selling the lien. Respondent, Majors, shall not operate in any manner materially different from the manner described here.

This is a final and appealable order.

**ENTERED** this the 15<sup>th</sup> day of March, 2005.



Keith H. Talley  
Deputy Executive Director  
Office of Financial Institutions  
1025 Capital Center Drive, Suite 200  
Frankfort, Kentucky 40601  
(502) 573-3390

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<sup>1</sup> The Names of the Client has been intentionally omitted to protect his/her privacy.

<sup>2</sup> The Names of the Clients have been intentionally omitted to protect their privacy.



**EMPLOYMENT CONTRACT AND AGENCY AGREEMENT**

This contract is formed by the undersigned Employer in order to employ Tax Lien Agents, Inc. ("TLA") as Employer's Individually Contracted Purchasing Employee and as Employer's hired self employed Agent and to induce TLA to use its personnel and services to facilitate the purchase of City and County Governments' [evidences of indebtedness/extensions of credit secured by real estate] ad valorem real estate Tax Lien Certificates ("TLCs") directly for the Employer. Both parties agree to the following terms and conditions:

1. Employer agrees to pay TLA a NON-REFUNDABLE AGENCY FEE for TLA's purchasing services and Employer also agrees, pursuant to paragraph 6, to potentially be required to pay TLA a PERFORMANCE BONUS. Employer agrees that TLA (also hereinafter "Agent") shall pay only the expenses of actually going to government TLC(s) auction sites; searching records; evaluating the actual real estate securing Employer's previously selected TLC(s) it desires TLA to bid on at the government auction and then bidding on and purchasing those TLCs that, in Agent's exclusive opinion, best meet the criteria originally specified by Employer. Agent agrees that all purchased TLC(s) will only be purchased in Employer's name and address below or in a name and address that Employer specifically specifies. Once TLC(s) is(are) purchased, Agent agrees that Employer still controls all aspects of the purchase and ownership including, but not limited to, making all decisions relating to hiring other professionals to quiet the tax title, foreclosure, advertising and all selling decisions required when, if ever, a TLC non-redeems into a matured tax lien, Tax Deed and/or property deed. However, for the life of any TLC or matured TLC, TLA agrees that it will, during normal business hours, make its applicable TLC advisory services available to Employer at no extra cost.

2. Employer (also hereinafter "Principal") will provide Agent with FDIC Insured Bank Cashier's Checks made payable to "COUNTY TREASURER FOR TAX LIENS" and/or, if Employer is using a fiduciary IRA Trust, will give Employer's Trust an Investment Direction Authorization, for the maximum amount that Employer wishes Agent to buy in TLC(s). After each auction, Agent agrees that they will use their best efforts to make sure, pursuant to that County's policies, that Employer receives all the purchased TLC(s) plus a full accounting report and a direct refund, if any. If Employer receives a refund of \$2,000 or more, Agent agrees (with funds and directions from Principal) to use its best efforts to purchase, without additional charge to Employer, balance of TLC(s) at the next auction Agent attends. Employer agrees Agent has no responsibility to provide any additional purchasing services for County refunds and/or redemption accumulations totaling less than \$2,000, however, Principal may add additional funds, at any time, to bring any such refund or redemption amount accumulations up to the \$2,000 minimum by paying TLA its appropriate non-refundable agency fees on those additional funds. Employer agrees to send a copy of the TLC(s) and the County's accounting report to TLA and to immediately notify TLA when anything happens concerning any TLC purchased.

3. If any TLC is redeemed before its maturity date, TLA agrees that Employer shall keep all redemption funds, including interest and penalties, and TLA shall not be entitled to any of such amounts. If Principal provides the necessary funds to reinvest such redemption proceeds, assuming reinvestment amount is equal to or exceeds \$2,000 and assuming Principal uses the same procedures set forth in previous paragraphs, TLA (without additional agency fee) agrees to use its best efforts to purchase replacement TLC(s) at the next tax lien auction that Agent attends. Agent further agrees to continue to replace any redeemed TLC(s), on the same basis as above, until one (1) year has passed after the month of original purchase. However, TLA also agrees, that Employer can require TLA to continue to purchase additional replacement TLC(s) for up to two (2) additional years by paying TLA a One Hundred Dollars (\$100.00) non-refundable agency fee each year.

4. TLA SHALL HAVE THE RIGHT OF FIRST REFUSAL should Employer decide to sell or transfer ownership of any TLC(s), tax deed(s) and/or resultant property deed(s) purchased under this contract. If Employer initially purchased as a grantor of a Trust, Employer shall maintain the right to transfer ownership of the trust into Employer's name and/or into another Trust, as long as such Trust remains under Employer's exclusive control, without invoking TLA's first refusal rights and/or TLA's Performance Bonus clause.

5. Once any TLC matures, TLA's purchasing requirement is completed as Employer shall promptly commence a good faith effort to secure a Tax Deed Title and then promptly proceed to convert that Title into a good and marketable (insurable) title and/or to offer and sell any TLC/matured TLC/Tax Deed Title/Insurable real property title as a whole. However, TLA, upon Employer signing of a separate employment contract can be hired to put a "For Sale by Owner" sign on the property and then contact and negotiate terms with various local professionals who Employer can then directly hire to provide that good and marketable title and/or conduct the advertising and sale of the property. When any matured TLC, Tax Deed Title and/or insurable property deed that was a direct result of Agent's TLC purchasing services is sold or transferred to another entity not controlled by Employer, TLA, pursuant to paragraph 6, is to receive a Performance Bonus.

6. TLA's PERFORMANCE BONUS, In consideration of Agent's ability to purchase any TLC that later matures into a Tax Deed or property deed that is subsequently sold or transferred to an entity not controlled by Employer, Employer agrees to pay TLA a Performance Bonus commission equal to Thirty Five Percent (35%) of the gross sales price immediately upon Employer receiving the proceeds from selling any such TLC, tax deed and/or property deed.

7. Except for the purchase by Agent of the TLC(s) itself, no party may obligate the other party to any liabilities, expressed or implied, without the written consent of the other party.

8. Employer expects Agent to use the County Tax Assessor's published property values as realistic values at the time of the purchase of the TLC(s) and, therefore, Employer does not expect that, by the end of the maturity period, the property securing the matured TLC will be actually worth the same amount as originally stated by the County Tax Assessor as property values may change.

9. Employer understands Agent never guarantees that any TLC will mature into a property deed.

10. Employer understands that it is making an investment in TLCs not in TLA and Employer understands that TLA is an independently contracted employee and Employer will issue an IRS Form 1099 to TLA.

11. Should any part of this contract be deemed to be in conflict with any law or regulation in a particular state, only that specific conflicting part shall be void and the rest of the terms and conditions shall remain in force.

12. This contract is the full and complete agreement between the parties. This contract shall be governed by and construed in accordance with the laws of the State of South Carolina. Time is of the essence.

AGREED this \_\_\_ day of \_\_\_, 200\_\_

AGREED this \_\_\_ day of \_\_\_, 200\_\_

**EMPLOYER/PRINCIPAL**

**EMPLOYEE/AGENT  
TAX LIEN AGENTS, INC.**

PRINT Name \_\_\_\_\_  
Signature \_\_\_\_\_  
Address \_\_\_\_\_  
City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_  
Day Phone \_\_\_\_\_  
Night Phone \_\_\_\_\_  
Fax # \_\_\_\_\_  
EIN or Social Security# \_\_\_\_\_  
Email # \_\_\_\_\_  
Employer's Witness' Signature \_\_\_\_\_  
TLA's Witness' Signature \_\_\_\_\_

by \_\_\_\_\_  
Print Name \_\_\_\_\_  
Title \_\_\_\_\_  
4502 Hwy, 17 Bypass So.  
Myrtle Beach, South Carolina 29588  
Phone 843-293-6307; fax 843-293-6340  
Email: taxlienagent@aol.com  
Date \_\_\_\_\_  
Date \_\_\_\_\_

**FOR TLA'S USE ONLY**

W9 or W 8 \_\_\_\_\_

Amount of TLC(s) to purchase: \$ \_\_\_\_\_ Fee paid: \$ \_\_\_\_\_ Referred by: \_\_\_\_\_  
Copyrighted 1/3/2005 by Tax Lien Agents, Inc. All rights Reserved. Who was referred by: \_\_\_\_\_